

Message Text

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ACTION ARA-10

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CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

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E.O. 11652: N/A

TAGS: PINT ENRG VE

SUBJECT: CHAMBER OF DEPUTIES APPROVES OIL NATIONALIZATION

BILL UPON FIRST READING

REF: CARACAS 7052

1. THE CHAMBER OF DEPUTIES APPROVED JULY 16 THE FIRST READING OF THE VENEZUELAN OIL NATIONALIZATION BILL. THE BILL RETURNS JULY 17 TO THE CHAMBER'S MINES COMMITTEE FOR CONSIDERATION OF SUGGESTIONS MADE CONCERNING SOME ARTICLES DURING THE CHAMBER'S DEBATE. THE CHAMBER IS SCHEDULED TO BEGIN THE BILL'S SECOND READING JULY 21.

2. FOLLOWING APPROVAL OF THE CONTROVERSIAL ARTICLE 5 JULY 9 (REFTEL), THE CHAMBER COMPLETED ACTION ON THE BILL'S REMAINING 22 ARTICLES IN ONLY 3 SESSIONS. THE DEPUTIES HURRIED IN ORDER TO COMPLETE THE FIRST READING BY JULY 17, THE OPENING DAY OF THE NATIONAL CONVENTION OF THE GOVERNING ACCION DEMOCRATICA
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PARTY. SINCE NONE OF THE REMAINING ARTICLES WAS PARTICULARLY

CONTROVERSIAL, THE MAJORITY WERE APPROVED WITHOUT DEBATE.

3. ONLY ARTICLES 12 AND 15, CONCERNING INDEMNIFICATION OF THE OIL COMPANIES FOLLOWING NATIONALIZATION, GENERATED MUCH INTEREST. THE MARXIST MIR SUPPORTED A RECOMMENDATION MADE THIS WEEK BY THE FEDERATION OF PUBLIC ACCOUNTANTS THAT NO INDEMNIFICATION SHOULD BE PAID BECAUSE OF THE OIL COMPANIES' ALLEGED EXTRACTION OF 120 MILLION BARRELS OF OIL IN EXCESS OF THE LEVELS PERMITTED BY THEIR CONCESSIONS. ONLY THE COMMUNIST PARTY JOINED MIR IN REJECTING INDEMNIFICATION. THE OTHER PARTIES, INCLUDING THE SOCIALIST MAS AND MEP, AGREE THAT INDEMNIFICATION IS REQUIRED BY ARTICLES 101 AND 102 OF THE VENEZUELAN CONSTITUTION.

4. AT THE CONCLUSION OF THE FIRST READING, ACCION DEMOCRATICA WAS SUPPORTED ONLY BY THE MINISCULE CCN, WHILE THE OTHER OPPOSITION PARTIES EXPRESSED THEIR DISAGREEMENTS WITH THE BILL FOR VARIOUS REASONS. NO VOTE WAS TAKEN, BUT THE MEASURE WAS DECLARED APPROVED ON THE STRENGTH OF A SHOW OF HANDS BY AD AND THE CCN.

5. MINISTER OF MINES VALENTIN HERNANDEZ HAS REVEALED THAT THE ADMINISTRATION PLANS TO SEEK ADDITIONAL CHANGES IN THE NATIONALIZATION BILL DURING ITS CONSIDERATION BY THE SENATE. HERNANDEZ WILL PRESENT TO THE SENATE MINES COMMITTEE PROPOSED CHANGES AIMED AT CORRECTING CERTAIN OMISSIONS IN THE ADMINISTRATION'S ORIGINAL BILL HAVING TO DO WITH THE EXECUTION OF NATIONALIZATION AND THE CREATION OF THE HOLDING COMPANY, PETROVEN, FOR THE NATIONALIZED INDUSTRY. HERNANDEZ ALSO ANNOUNCED THAT A PANEL OF DISTINGUISHED VENEZUELAN WILL BE APPOINTED TO ADVISE THE MINISTRY CONCERNING THE AMOUNT OF INDEMNIFICATION TO BE PAID THE OIL COMPANIES.

6. COMMENT: DEBATE IS EXPECTED TO BE BRIEF DURING THE CHAMBER OF DEPUTIES' SECOND READING OF THE NATIONALIZATION BILL. THE CHAMBER HOPES TO COMPLETE ACTION ON THE BILL NEXT WEEK AND SEND IT TO THE SENATE ON JULY 23. AS IN THE LOWER HOUSE, THE BILL IN THE SENATE MUST PASS THROUGH COMMITTEE AND TWO READINGS. IT NOW APPEARS THE LAW WILL FINALLY BE PASSED BY THE VENEZUELAN CONGRESS IN EARLY AUGUST.

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